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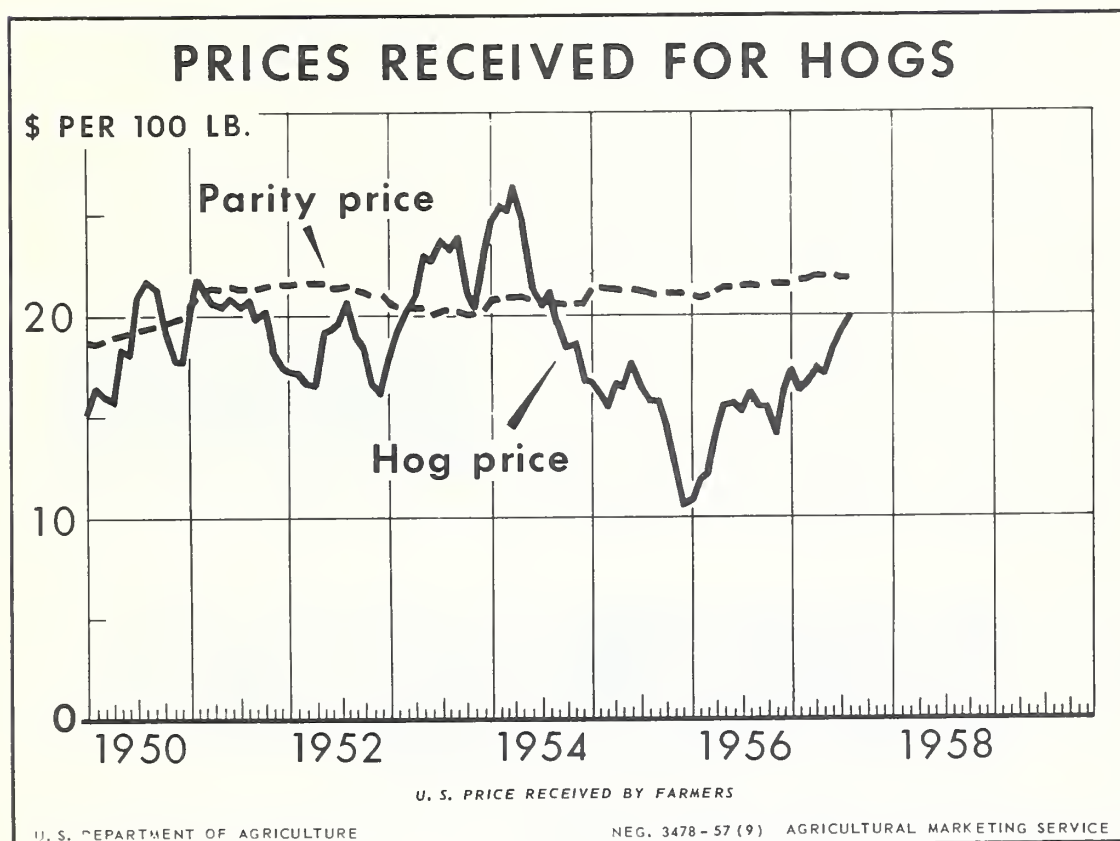
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UNITED STATES DEPARTMENT OF AGRICULTURE
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THE CURRENT AND PROSPECTIVE HOG SITUATION



Prices of hogs to producers have recovered from the low point to which they fell in December 1955. Their steady advance since that month repeats a similar uptrend beginning in 1952. Prolonged downtrends occurred in 1948-49 and 1954-55.

Prices have turned seasonally downward this fall but they may average about as high as a year earlier through the summer of 1958. Somewhat lower prices are likely after that date. The extent of the decline will depend largely on how much 1958 spring farrowings are increased.

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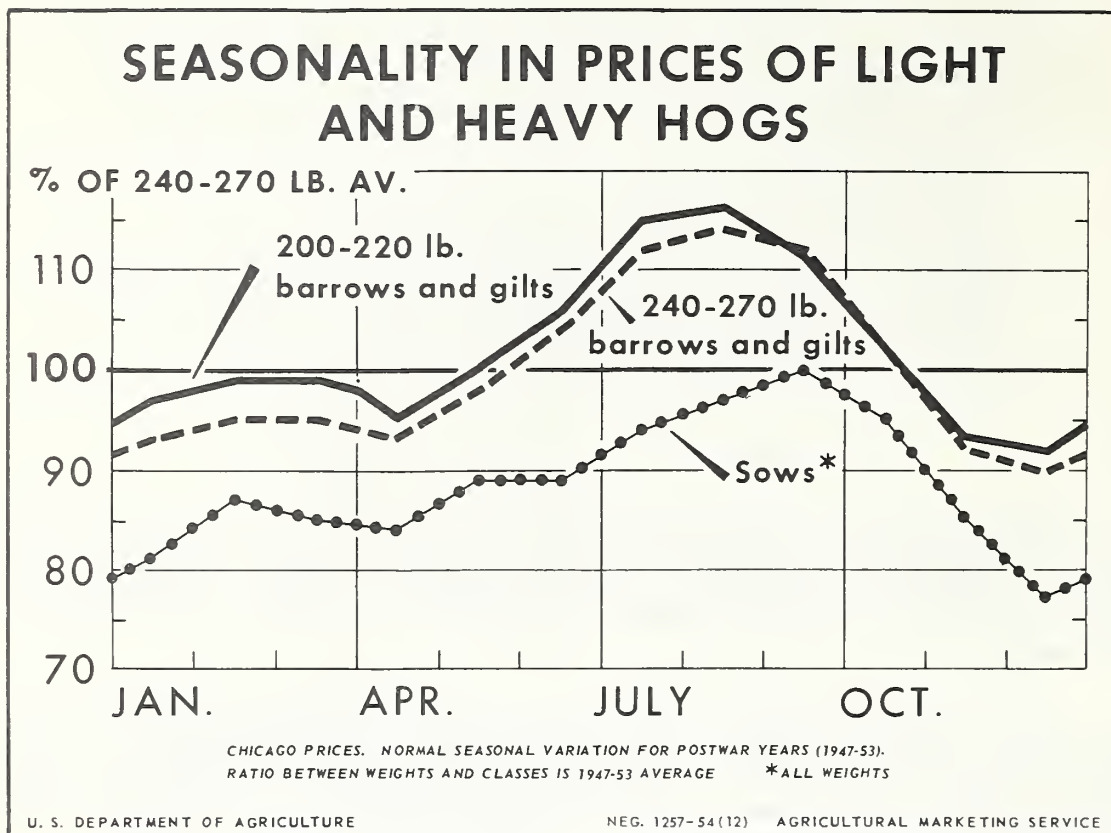


Figure 2.--Prices of hogs almost invariably rise in the spring and decline in the fall. Seasonal price peaks and lows have been shifting earlier, as farrowings have become earlier and the growing and feeding period shorter. The winter-spring low price is now often in March, and the fall low sometimes is in November.

Also worth attention are the longest term trends affecting the hog industry such as those in consumer demand for hog products. The future course of these trends -- many of them not highly encouraging -- bears on the outlook for the near future but it has greater meaning for the longer run. All producers of hogs, as well as others associated with the industry, have a special interest in the longer range prospects.

Smaller Pig Crops in 1956 Reduce Slaughter in 1957

Higher prices for hogs in 1957 have resulted chiefly from a reduced supply of hogs and of pork. When prices for hogs dropped almost to \$10.00 in late 1955, producers responded by cutting back the number of sows to farrow 1956 spring pigs. That pig crop was down 8 percent. The 1956 fall crop was 4 percent smaller. As a result, slaughter of hogs in 1957 may scarcely exceed 80 million, compared with 85 million last year (table 1).

Table 1.--Pig crops, hog slaughter, and pork consumption, 1954-57

Year	Pig crops			Hog slaughter	Pork consumed per person
	Spring	Fall	Total		
	1,000 head	1,000 head	1,000 head	1,000 head	Pounds
1954	52,852	33,978	86,830	71,495	60.0
1955	57,690	38,029	95,719	81,058	66.8
1956	53,186	36,535	89,721	85,216	67.5
1957	53,170	1/37,500	1/90,670	2/80,500	2/63

1/ Based on farmers' intentions in June as modified by reports from 10 States in September.

2/ Partly forecast.

The supply of pork available per consumer in 1957 will total about 63 pounds. This is less than the consumption rate in the last two years, though more than in 1954.

Prices of \$20.00 or more for hogs this summer were seasonally high. In an average year, prices on central markets advance more than 20 percent during the spring and summer, and decline as much during the fall (figure 2).

Prices this summer received an additional boost because less pork than usual was in cold storage at the beginning of the season. In most years 500 million pounds or more are on hand on May 1. This year, stocks on that date were only 343 million pounds.

Also adding to strength in pork and hog prices in 1957 is a reduced supply of beef. The cattle numbers cycle has turned downward, and since early this year cattle slaughter has averaged slightly less than last year.

Sustained employment, high incomes of consumers and a steady to rising general price level have contributed a little to higher prices for hogs. However, consumer income has less influence on demand for pork than it does on beef. Most consumer purchase studies show that families of lower and higher incomes consume about the same quantity of pork, but that beef consumption increases with income.

Price Outlook Favorable Through Mid-1958

Hog production has been nearly stable in 1957. The spring pig crop was unchanged from a year before. The fall crop is probably being increased a little. Producers' intentions in June were to have 2 percent more sows farrow this fall than last. In September, reports from 10 Corn Belt States indicated that the intentions are being exceeded slightly. Producers there increased farrowings 4 percent in June-August, and they saved 4 percent more pigs. They planned also for 4 percent more farrowings in September-November.

Through September, slaughter of hogs averaged below a year earlier. It may stay below until near the end of 1957. Last year, fewer hogs than usual from the spring pig crop remained on hand December 31, as marketings were exceptionally early. This year, marketings probably will be later and the year-end inventory may be somewhat larger. Consequently, supplies of hogs for slaughter this winter are not expected to slip off as much as last winter. Prices therefore will be little if any higher than the winter prices of 1957, and might be a little lower.

Because the 1957 fall pig crop is somewhat larger, slaughter next spring and summer will probably also be somewhat greater than at those seasons this year. But changes will be small. Prices for hogs are very likely to remain close to 1957 levels until the late summer of 1958.

More Spring Pigs, Larger Fall Slaughter in 1958

An increase in 1958 hog production is definitely in view. The spring pig crop will be appreciably larger than the 1957 crop. The fall crop also will likely increase.

Several factors point in this direction. First is the hog-corn price ratio. While prices of hogs were advancing in 1957 the price of corn remained stable. The hog-corn price ratio increased to a high of 16.6 in September and the September-December average may be between 14 and 15. The hog-corn ratio -- the number of bushels of corn that can be bought with the price of 100 pounds of hogs -- has averaged slightly above 12 over many years. A ratio of 14 to 15 during the breeding season almost invariably has been followed by increased farrowings (see figures 3 and 4). The normal increase from that ratio is between 5 and 10 percent, though it has been above or below this range in individual years.

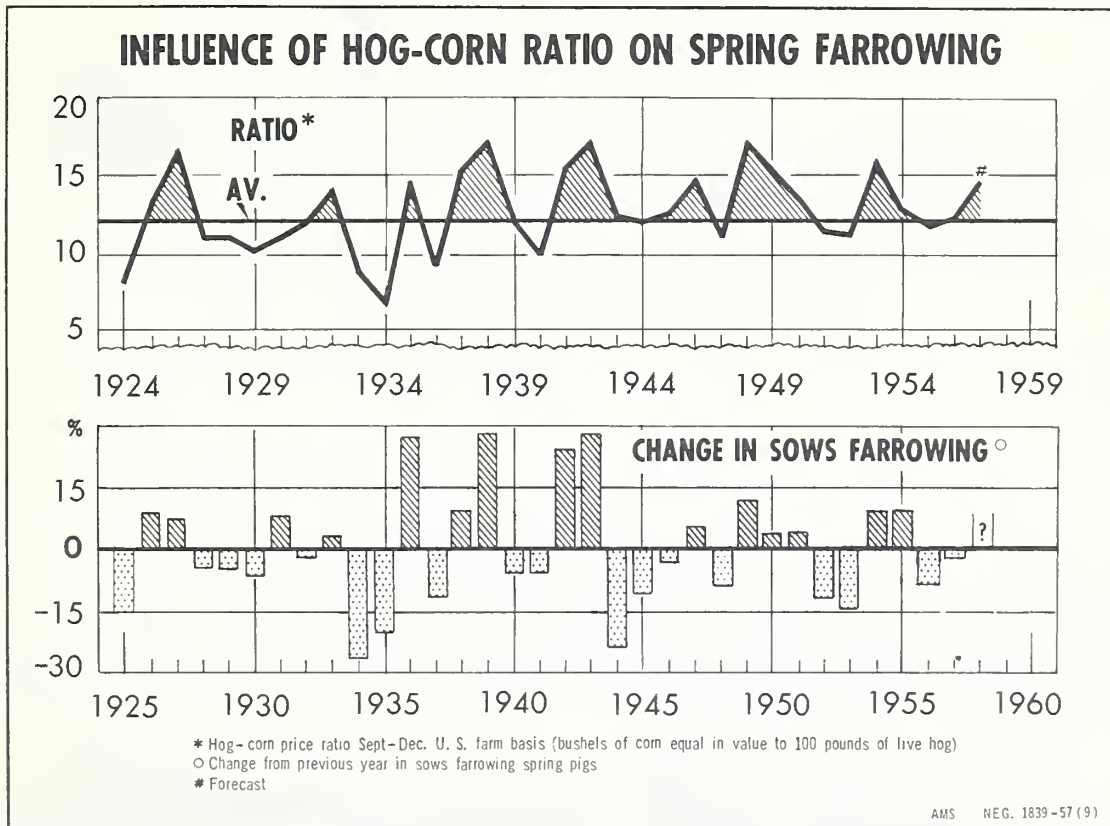


Figure 3.--This chart shows the hog-corn price ratio each fall since 1924, and the change in number of sows farrowing the next spring. An above-average ratio has usually been followed by an increase in farrowings, a below-average ratio by a decrease. (Note that the years in the lower section are shown advanced one year so as to permit comparisons directly up and down.)

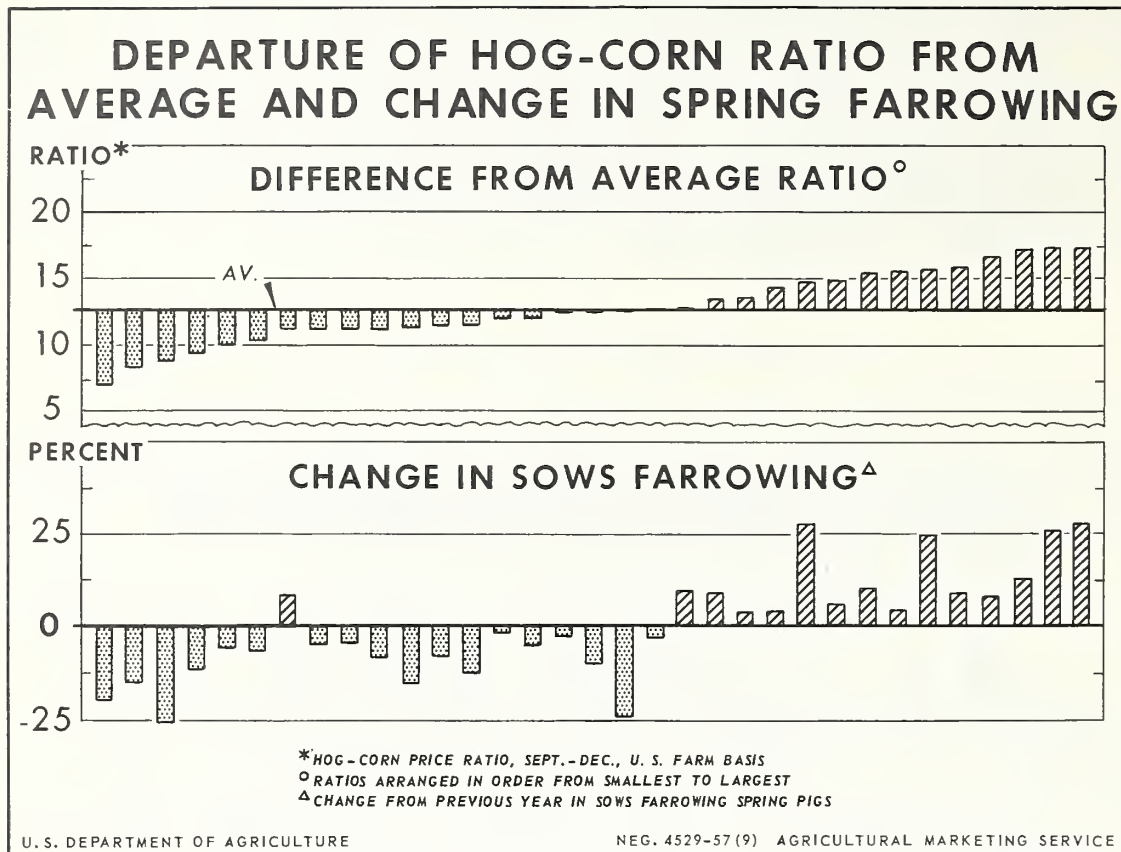


Figure 4.--In the upper section of this chart the fall hog-corn price ratios since 1924 are arranged in order from lowest to highest. The actual change in spring farrowings accompanying each ratio is shown below. The relationship between size of ratio and size of change in farrowings is clearly seen. However, individual years vary somewhat around the general relationship.

Bumper harvests of feed crops this year also make more spring farrowings in 1958 highly probable. Although the corn crop was estimated in September at 7 percent below last year's big harvest, increases in all other feed grains are very substantial (table 2). Barley and grain sorghum out-turns are record large. Total feed grain production is above last year and about up to the giant crop of 1948. The hay crop also is a record. Feed crops of such size will stimulate expansion in all livestock.

Table 2.--Estimated production of feed crops in 1957
compared with earlier years

Year	Feed grains					Hay
	Corn	Oats	Barley	Grain sorghums	Total	
	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. tons	Mil. tons
1954	3,058	1,410	379	235	124	108
1955	3,230	1,503	401	243	131	113
1956	3,451	1,153	372	205	130	109
1957 <u>1/</u>	3,195	1,338	431	481	135	120

1/ Estimated September 1.

Producers in 10 States reporting in September said they will increase hog production. They plan to step up December-February farrowings 7 percent from last year. Those months are the first half of the spring farrowing season. However, only about a third of all spring farrowings fall in those months. Largest numbers of farrowings are in February, March, and April. Hence the intentions for December-February are not a highly reliable indicator of prospects for the entire spring season.

Some Increase Normal

A moderate increase in the 1958 spring pig crop would not itself cause severe price declines. While hog production decreased in 1956 and almost stood still in 1957, the consuming population grew at a rate of 3 million a year. The larger population will make room for some increase in output of pork by the fall and winter of 1958-59.

Another factor in the hogman's favor is the current downswing in the cattle cycle. Unlike 1955, when beef and pork supplies were rising simultaneously, a decrease in beef output will accompany the upturn in pork production in 1958. Cattle inventories in January 1957 were below the peak of a year earlier. The rate of cattle slaughter has slipped below last year and it will likely continue downward for another year or two at the least.

Moreover, a gradually expanding hog production is a normal outgrowth of new efficiencies in production of feed and of hogs. Abundant feed harvests result in part from use of diverted acres for feed crops but they also reflect notable achievements in technology of production. As annual feed production rises over a period of years an increase in livestock production is naturally to be expected.

Limits to Expansion

Too large an increase in hog production in 1958 would incur danger of badly depressed prices beginning in the fall of that year. Long run demand and price trends for hogs have not been very favorable, and the amount of expansion that can be made at any one time without serious price hazard is definitely limited.

Increases in production of hogs in recent years have not kept pace with population growth. As figure 5 shows, the uptrend in annual pig crops since the end of World War II has been slow. It averages about $1/2$ of 1 percent a year. Population growth has averaged $1-3/4$ percent.

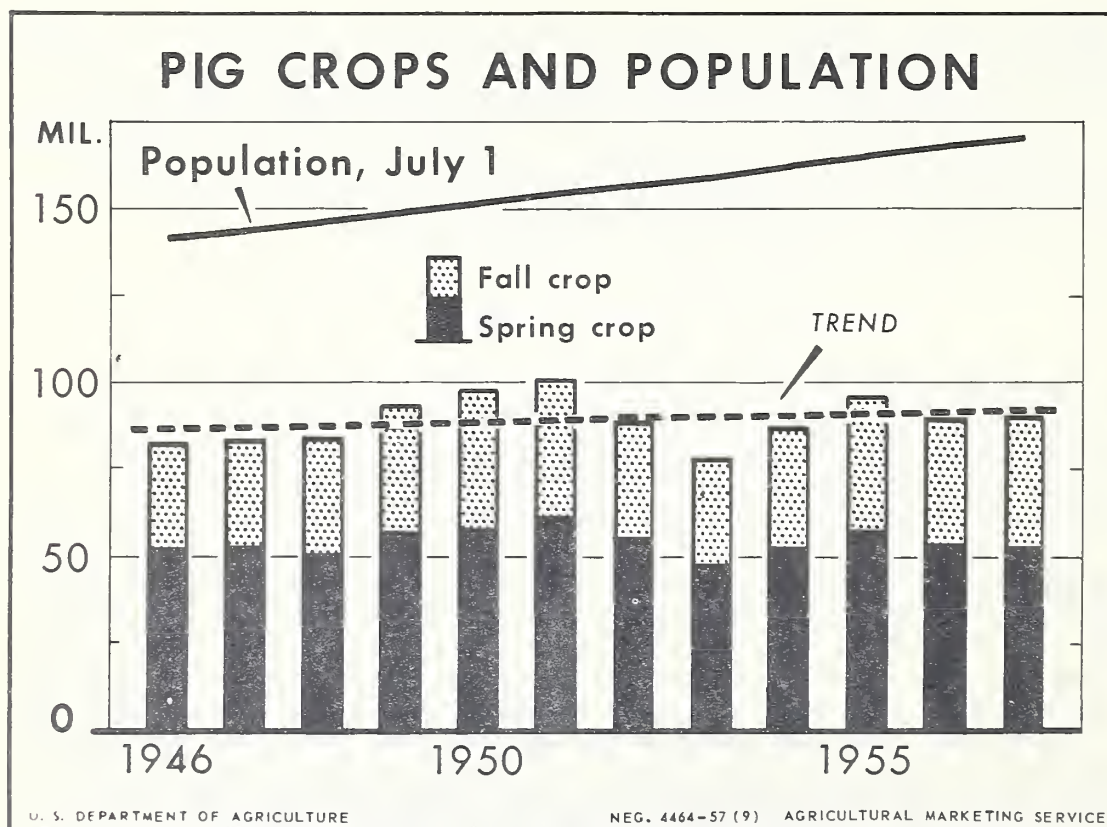


Figure 5.--Annual pig crops have increased since the end of the war at a rate of $1/2$ percent per year. Population growth has been $1-3/4$ percent.

As hog production has not kept pace with population, supplies of pork per person have declined. Pork consumption per person has decreased since the war by about $3/4$ percent per year (figure 6).

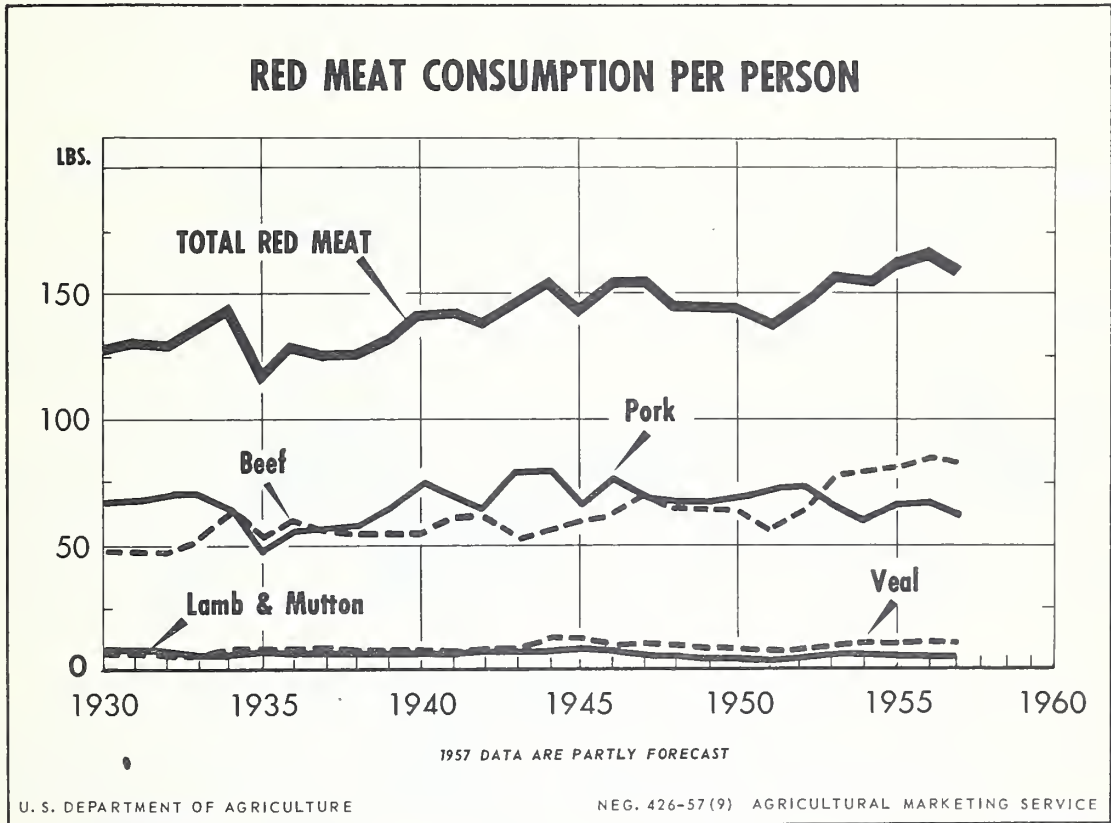


Figure 6.--Consumption of pork per person, as of all meat, increased during the 1930's and war years. Since the war, however, pork consumption has declined slowly, as beef and veal made up all the increase for total meat.

Lagging gains in production of hogs are accounted for chiefly by a failure of consumer demand for pork to increase very much. Consumers have not been willing to eat more pork and spend more for it. Their expenditures for pork, as estimated by the retail value of pork consumed, advanced to a high in 1951 then declined each year until 1956. In 1957, some signs of a reversal in that decline are appearing. The improved demand this year may primarily reflect reduced supplies of beef and of all red meat.

Since incomes of consumers have risen steadily during the postwar period, the percent of incomes spent for pork has decreased sharply. Years ago consumers spent 3 percent of their incomes for pork. By the beginning of the war the percentage had dropped below $2\frac{1}{2}$. During the world food shortage and price inflation just after the war it jumped to 3 but since has declined steadily and now is below 2 (figure 7).

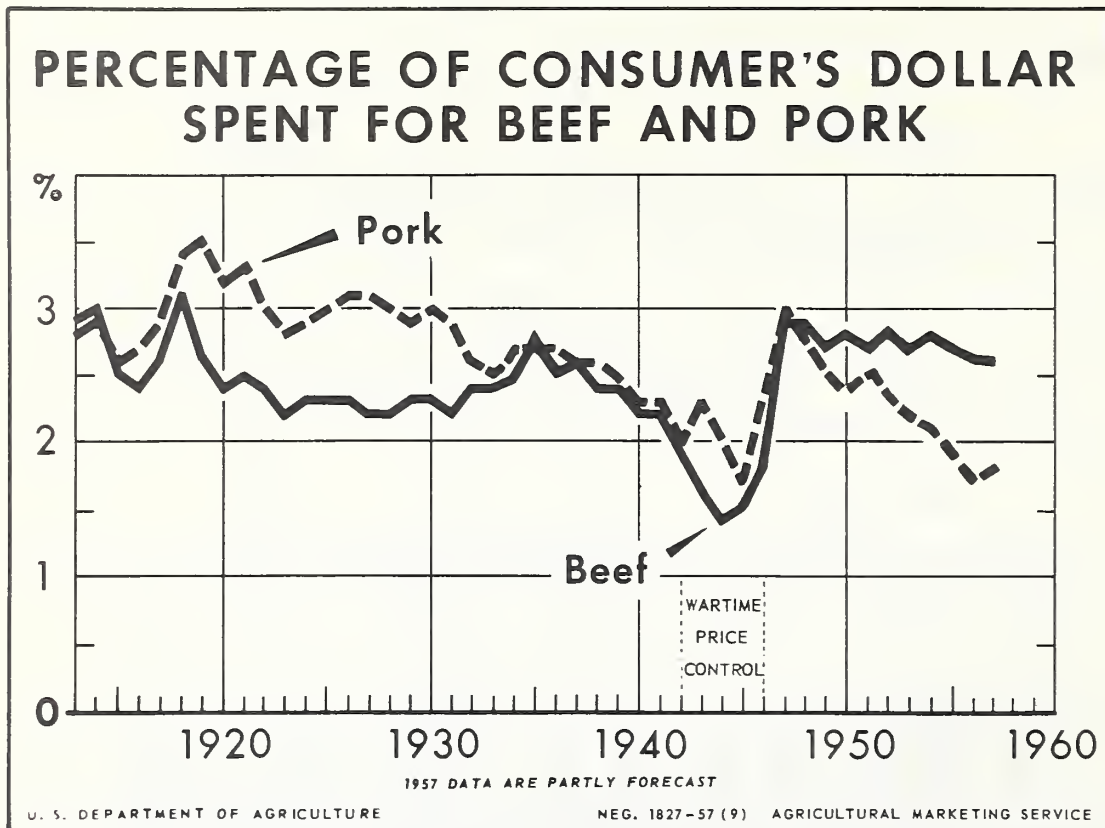


Figure 7.--Consumers have spent a decreasing proportion of their income for pork. This is in contrast with the steady to rising proportion spent for beef.

Stable Supplies Desired

Consumers want a uniform supply of pork. They resist accepting less than usual, and they will eat more than usual only if the price is reduced considerably.

As a result of this inelasticity of demand, a change in supply of pork induces substantial changes in price of pork at retail. And price changes for hogs at the farm are even greater in percentage than those of pork, because the marketing margin between the live hog and retail pork is relatively stable. Insofar as the margin does respond to supplies, it widens as they increase and narrows as they decrease, accentuating even more the swings in prices of hogs.

Evidence of how prices change when supplies increase or decrease is provided by the data in table 3.

In the upper part of the table are statistics on slaughter of hogs, supplies of pork per person, and prices of pork and hogs for the last four years. Supplies and prices are shown for September-February, the period when most spring pigs are marketed.

In 1954, the spring crop increased 10 percent. Prices at retail the following September-February dropped to 12 percent below the previous year and prices to farmers fell 23 percent. In 1955 a further 9 percent rise in the crop brought another 12 percent price decline at retail and one of 29 percent to producers. In 1956 the pig crop was reduced 8 percent. Prices at retail last September-February were up 9 percent, and those at the farm increased 25 percent.

Data on prospective supplies are given for 1957-58. The supply per person for the 6 months ending next February is forecast to be down from last September-February by 1.1 pounds or 4 percent. This reduction is the chief reason hog prices are expected to compare favorably this fall and winter with last.

Decisions for 1958

To sum up, increases seem certain in the 1958 spring pig crop and in 1958-59 hog slaughter; some increase could be absorbed into market channels without serious price difficulty; but past trends indicate a practical limit to an acceptable increase; and past experience emphasizes the price penalty for exceeding that limit.

What, then, does all this mean to producers who must make decisions for 1958? How much can they safely expand?

Table 3.--Prices for pork and hogs realized from spring pig crops of 1953-56, estimated pork supplies for 1957-58, and calculation of supplies at three sizes of the spring crop of 1958

Year	Spring pig crop	September-February total or average					
		Commercial slaughter	Consumption of commercially produced pork per person	Retail price of pork, per pound	Marketing margin, per retail pound	Price received by farmers for hogs, per 100 pounds	
		Number	Pork produced				
	1,000 head	1,000 head	Million pounds	Pounds	Cents	Cents	Dollars
1953-54:	47,940	35,035	4,683	27.9	59.4	21.8	23.10
1954-55:	52,852	38,941	5,244	30.1	52.2	23.2	17.80
1955-56:	57,690	45,296	5,954	33.9	45.7	24.9	12.70
1956-57:	53,186	40,844	5,330	30.4	49.7	23.9	15.90
1957-58:	53,170	<u>1/</u> 40,500	<u>1/</u> 5,300	<u>1/</u> 29.3	---	---	---
Projections according to 3 sizes of the spring pig crop for 1958							
1958-59	<u>1/</u> 55,300	42,570	5,600	30.3	---	---	---
	<u>2/</u> 56,900	43,860	5,800	31.5	---	---	---
	<u>3/</u> 58,500	45,140	5,950	32.3	---	---	---

1/ Forecast.

2/ Increase of 4 percent.

3/ Increase of 7 percent.

4/ Increase of 10 percent.

Data in the lower part of table 3 may help in answering this question. They show what the supply of pork from commercial sources might be at three different rates of increase in the 1958 spring pig crop. These are 4, 7, and 10 percent. An increase of 4 percent would provide about the same quantity of pork per person as in 1954-55 and 1956-57, when prices to farmers were in the \$16-\$18 range. A price this high would be above a normal relation to the price of corn. In view of the factors bearing on the spring pig crop that were named earlier, more than a 4 percent increase is likely.

A 7 percent increase would raise pork supplies in the fall and winter of 1958-59 to a little above the 1956-57 rate. A 10 percent increase would put them midway between 1956-57 and the big supply level of 1955-56.

If the jump in the pig crop were much above 10 percent -- probably around 15 percent -- pork supplies per person would again be equal to the huge supplies of late 1955 and early 1956.

The 7 percent increase in spring farrowings planned by producers in 10 States may be a minimum estimate of the likely increase for the entire United States spring pig crop. If the crop should be of this size or a little more, pork supplies per person would not be extremely large. Prices to producers would be appreciably lower than in late 1956 and in 1957, but they would probably be considerably higher than the prices of late 1955 and early 1956.

For increases above 7 percent, the risk of sharp price declines would be greater. If the spring crop should be up so much as to repeat the 1955-56 level of pork supply per person, disastrous declines in prices would be highly probable.

The actions of producers will determine in large measure what the outcome will be.

Individual producers will respond differently to prospects for hog prices, because they have different costs and different alternatives. In addition, decisions will vary according to the information producers have on the current and future hog situation. Understanding of the prospects should help to bring moderate rather than extreme expansion, and thereby make progress toward the greater stability that is so badly needed.

Producers' intentions for sows to farrow for the entire spring season will be reported in the USDA pig crop report to be released December 20. Indications given there will be worth watching. They will tell more accurately whether spring increases are to be moderate or extreme.

Longer Objectives

In the longer view producers, marketers, and distributors can help even more to determine, through their course of action, what their own future will be. It is impossible to detail in a short space all the reasons for slow growth in consumer demand for pork. Some loss in demand is doubtless due to rising incomes of consumers, as it shifts demand to beef; to movement of population; and to other irreversible factors that prevent that loss from being fully recoverable. Slowness to market hogs and pork according to quality distinction has hindered progress. Alertness to the changing nature of consumer demand for food, especially the trend away from traditional products and toward specialized products to meet special demands, has been accommodated much better in sausages and other processed products than in fresh pork. More attention could profitably be given to the kind of pork cuts and products, especially fresh pork, to be produced and merchandised.

Quality aspects have become ever more weighty as consumers have become more sensitive to fat in the diets. A great deal -- although not all -- of the slippage in demand for pork is attributable to greater rejection of the fat cuts of pork, and to a narrower market for lard. Demand for the lean cuts has held up best.

All efforts and progress toward producing more meat type hogs and improved pork products are to be applauded. Not all problems in inducing the shift to meat hogs, especially those of price incentive at all marketing and distribution levels, have yet been solved. Also to be acclaimed is any success in smoothing out swings in production, both seasonal and cyclical. Providing a more nearly uniform supply of graded products in the form and variety most desired by consumers should be included among longer objectives of the hog industry.

